



Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 08-6, Maryland State and County Income Tax Withholding

Date: February 29, 2008

To: Holders of TAXES (State of Maryland only)  
Personnel User Groups  
T&A Contact Points in Maryland

Beginning with wages paid for Pay Period 4, the National Finance Center (NFC) will make the following changes to the tax rate for the withholding of county income tax for Allegany County, Maryland:

- The withholding rate for Allegany County, Maryland will increase from 2.93 percent to 3.05 percent.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page ([www.nfc.usda.gov](http://www.nfc.usda.gov)) and click the **Publications** link at the top of the page. At the Publications page right-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

MARK J. HAZUDA, Director  
Government Employees Services Division

# Maryland State Income Tax Information

<b>State Abbreviation:</b>	MD
<b>State Tax Withholding State Code:</b>	24
<b>Acceptable Exemption Form:</b>	MW 507
<b>Basis For Withholding:</b>	State Exemptions
<b>Acceptable Exemption Data:</b>	0/Number of Exemptions
<b>TSP Deferred:</b>	Yes
<b>Special Coding:</b>	Determine the Total Number Of Allowances field as follows: <b>First Position</b> – Enter 0 (zero). <b>Second and Third Positions</b> – Enter the number of exemptions claimed.
<b>Additional Information:</b>	The Maryland state income tax formula contains a computation for Maryland county tax. Residents of the state of Maryland are required to pay the appropriate county tax in addition to the state income tax. Nonresidents of Maryland pay only the state income tax. Refer to the withholding formula for information on the individual county rates.

## Withholding Formula ►(Effective Pay Period 4, 2008)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes dental and vision insurance program, and flexible spending account – health care and dependent care deductions) from the amount computed in Step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times ►27◄ to obtain the gross annual wages.<sup>1</sup>

<sup>1</sup> If gross annual wages are less than \$5,000, taxes will not be withheld.

5. Determine the standard deduction by applying the following guideline and subtract this amount from the gross annual wages computed in step 4.

$$\text{Standard Deduction}^2 = 15 \text{ percent} \times \text{Annual Wages}$$

<sup>2</sup> Minimum of \$1,500/Maximum of \$2,000

6. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 5 to determine the taxable income.

$$\text{Exemption Allowance} = \$2,400 \times \text{Number of Exemptions}$$

7. Multiply the taxable income computed in step 6 times 4.75 percent to determine the annual Maryland state tax withholding.
8. Divide the result of step 7 by ►27◄ to obtain the biweekly Maryland state tax. **Residents** of Maryland are to proceed to step 9 to compute Maryland county tax.

**9. If the employee is a resident** of the state of Maryland, compute the annual county tax withholding as follows:

- a. Repeat steps 1 through 5.
- b. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 9a to determine the taxable county income.

Exemption Allowance = \$2,400 x Number of Exemptions

- c. Apply the taxable income computed in 9b to the following guideline to determine the appropriate county income tax:

**Compute the Annual Income  
Tax Withholding For:**

Allegany

Anne Arundel

Baltimore City

Baltimore

Calvert

Caroline

Carroll

Cecil

Charles

Dorchester

Frederick

Garrett

Harford

Howard

Kent

Montgomery

Prince George's

Queen Anne's

St. Mary's

Somerset

Talbot

Washington

Wicomico

Worcester

**By Multiplying the Annual  
Taxable Wages By:**

▶3.05%◀

2.56%

3.05%

2.83%

2.80%

2.63%

3.05%

2.80%

2.90%

2.62%

2.96%

2.65%

3.06%

3.20%

2.85%

3.20%

3.10%

2.85%

3.00%

3.15%

2.25%

2.80%

3.10%

1.25%

- d. Divide the result of step 9c by ▶27◀ to obtain the biweekly Maryland county tax.
- e. Add the results of steps 8 and 9d to determine the resident's biweekly Maryland state and county tax combined withholding.